

## FINAL STATEMENT OF REASONS

### 1) The Update to the Initial Statement of Reasons

The following changes are made to the Initial Statement of Reasons:

- Section 330.20 (c) was added to include a new form, OL 607A (10/2002). This form was designed so registration services could submit the names of all employees authorized to submit registration work to the department. This form includes a statement accepting responsibility for the actions of all employees listed as those actions relate to the employers' business.
- Section 330.32 was amended to include exemptions for those services that submit registration transactions electronically; and for transactions submitted for vehicles registered in the Permanent Trailer Identification Program.

At the time the 15-day Notice of Modifications was published, several forms were still identified as "PENDING." The dates on these forms have been finalized. There were no additional modifications to the forms. They are included in the rulemaking file. The forms and new dates are:

OL 395R (New 3/26/2003) EF  
 OL 630 (New 3/26/2003)  
 OL 607A (New 3/26/2003)  
 REG 600 (New 3/26/2003) REG SERVICES  
 REG 600A (New 3/26/2003)

The OL 107 form was revised during the notice procedures. The revision date previously identified as 6/2001 should have been 4/2002.

Non-substantive amendments were made after the 15-day Notice of Modifications was published for the purposes of clarity.

Section 330.20 (a) Employee Changes should now read:

A registration service shall notify the department not later than ten days after there is a deletion to the list of employees employed to perform registration work. When adding an employee the department shall be notified prior to the submission of any registration work by the employee. The notification shall be submitted to an Occupational Licensing Inspections Office with receipt acknowledged by a licensing inspector.

The department does not intend for registration services to wait until licensing inspectors reviewed and approved the employee listings prior to the forms being submitted to the field offices.

Section 330.32 (g) is amended as follows:

(g) Documents submitted with missing or incomplete information shall be returned to the registration service for completion.

This language was amended because it is not the department's intention to deny submission of fees on transactions. The previous language invoked confusion.

Although not included in the 15 Day Notice of Modification, the proposed repeal of Section 330.54, Refusal to Issue, Suspension, Revocation or Cancellation of a License, has been withdrawn.

## **2) Imposition of Mandate on Local Agencies or School Districts**

The department's regulatory action adopting Section 82.00 in Article 2.3, Chapter 1, Division 1, of Title 13, California Code of Regulations, does not impose any mandate on local agencies or school districts and imposes (1) no cost or savings to any state agency, (2) no cost to any local agency or school district that is required to be reimbursed under Part 7 (commencing with Section 17500) of Division 4 of the Government Code, (3) no other non-discretionary cost or savings to local agencies, and (4) no costs or savings in federal funding to the state. No studies or data were relied upon to make this determination.

## **3) Summary of Comments Received and Department Response**

The proposal was noticed on June 7, 2002, and made available to the public from June 7, 2002 through July 22, 2002. The department received more than 20 written comments prior to the requested public hearing.

There were nine businesses and/or persons who submitted the comment, "I support and urge the scheduling of a DMV/Industry/Public Hearing to discuss and aid in a combined effort to resolve both the DMV and Industry concerns in the matters outlined in the recent notification of Title 13: Department of Motor Vehicles."

Requests for public hearing were also received from:

Kevin G. Kellerman, Auto Registration Experts; Sandra Kasten, S & S Auto Registration; Kevin Donovan, American Licensing Services; Mercedes Cambrone; Carol Rafferty, Agent for William/Marilynn Bishop, Auction Express Title Service; Amy Krista, CMV Service; Michelle Smith, Transnational Licensing Consultant

### ***Department's Response:***

*Public Hearings were scheduled and held in both Los Angeles (July 23, 2002) and Sacramento (July 25, 2002). Transcripts are included in this rulemaking file.*

Several suggestions and comments were repeated both in writing and at the hearings. The common comments, a list of those who presented them, and the department's response are as follows:

**1. The department should issue licenses or identification cards to registration service technicians similar to those issued to vehicle salespersons.** (Jim and Angela McConville; Shahrzad Razi-Bishop; Diann McLachlan; Betty Singh; Janet Miller; Kevin Donovan; Deean McKee; Keri Crowder; Jeff Perrin; Judy Trainer; Stanley McDonald; Warren Hoemann; Kerri Stouffer; Kris Anderson-Moore)

### ***Department's Response:***

*The department does not have statutory authority to require licensure of registration service employees.*

*Prior to the issuance of the 15-day notice, legislation was introduced, AB 1206, which would require that registration service technicians be licensed. This legislation, if passed, would give the department the authority to require that registration service employees obtain a license prior to processing registration service paperwork. Regulations would be required, again, to determine the qualifications and procedures that must be met to obtain this license.*

**2. The department should increase the bond requirement for registration services and/or require registration service employees to be bonded.** (Kevin Kellerman; Michelle Smith; Kevin Donovan; Louise Price; Deean McKee; Jeff Perrin; Renee Johnson; Stanley McDonald; Warren Hoemann)

***Department's Response:***

*The dollar amount of the bond required for licensure is set in the Vehicle Code. The department does not have the authority to increase this figure without a legislative mandate.*

**3. The department should require all registration services and/or employees to attend training and education programs prior to issuance of a license.** (Kevin Kellerman; Shahrzad Razi-Bishop; Diann McLachlan; Betty Singh; Janet Miller; Michelle Smith; Kevin Donovan; Louise Price; Jeff Perrin; Renee Johnson; Keri Crowder)

***Department's Response:***

*Although training and continuing education courses would be beneficial, the department does not have the resources to provide training for registration services or their employees at the present.*

**4. Are there any exceptions to the requirement to complete the Reg 600 form for each transaction? What are they and how would a registration service comply?** (Jim and Angela McConville; Evagene Ghisell; Nancy Whitaker; Mary McCain; Shahrzad Razi-Bishop; Barbara Rodriguez; Amy Krista; Janet Miller; Sue Nickel; Judy Trainer; Kevin Donovan)

***Department's Response:***

*Transactions submitted for a dealer, dismantler, vessel agent, or lessor/retailer are exempt from submitting the Reg 600 with each transaction provided the items are listed on the department approved Transmittal of Registration Applications (FO 247) and a completed Registration Transaction Authorization Agreement (Reg 600A) is maintained at the principle place of business.*

*Additionally, multiple items of an identical transaction type may be submitted on the FO 247 Transmittal form, provided that there is a single registered owner and a REG 600 accompanies each FO 247 submitted.*

**5. Many customers correspond with the registration services via mail, telephone, e-mail, overnight delivery, and fax. Can a power of attorney be used to complete the Reg 600 form or is it necessary to have the customer sign each document in person?**

**This would create a tremendous hardship on the registration services.** (Nancy Whitaker; Shahrzad Razi-Bishop; Sue Nickel; Cindy Perrin; Kate Younglove; Stanley McDonald; Kevin Donovan; Warren Hoemann)

***Department's Response:***

*The client's signature may be signed by power of attorney. A fax or photocopy of the power of attorney is acceptable. A copy of the power of attorney must accompany the transaction agreement form. The original power of attorney must be maintained with the registration service business records. The client, however, must sign a Statement of Facts if one is required. This form cannot be completed using a power of attorney.*

**6. Section 330.32 (h) states that the registration service will not be able to apply for duplicate plates unless the application includes a report of sale and is a dealer application. Registration services have many customers (companies and individuals) who come in for a renewal of registration or partial year registrations (PYRs) that also need duplicate plates. Why aren't registration services allowed to process these applications? Will the service be allowed to process them and have the field office mail the plates?** (Nancy Whitaker, Diann McLachlan; Sue Nickel; Kevin Donovan; Louise Price; Kate Younglove; Keri Crowder; Judy Trainer; Katherine Brandenburg)

***Department's Response:***

*Vehicle Code section 4466 prohibits the issuance of substitute plates over the counter except under specific circumstances that are outlined in the statute (submitted by or through a dealer, dismantler, insurer, agent of the insurer, or salvage pool). Therefore, it is not within the department's discretion to issue substitute plates to registration services. There are exceptions based on the transaction type, i.e., non-resident vehicles, unavailable records, lien sales, conversion from auto to commercial, and junk/salvage.*

*Additionally, Vehicle Code sections 505.2 and 11400 clearly define and limit the authority granted to registration services. Neither of the defining statutes states that registration services are licensed to perform the service of applying for duplicate license plates or titles. They only allow registration services to solicit or receive applications for registering, renewal of registration, or transfer of registration or ownership, of vehicles subject to the Vehicle Code. Since there is no provision for the application for duplicate titling documents or duplicate license plates enumerated in either of the code sections which define registration services authority then none will be added or implied. We conclude, based upon the clear language of the statutes, that the legislature chose not to include that authority.*

**7. Registration services that work only with commercial customers should be exempt from these regulations. The regulations should only apply to those services dealing directly with the public.** (Kevin Kellerman; Michelle Smith; Mary McCain; Kevin Donovan; Carole Rafferty; Kris Anderson-Moore)

***Department's Response:***

*Fraudulent and unlicensed activities have occurred in transactions associated with commercial accounts as well as with public transactions. Protections need to be in place for all consumers.*

*Individuals engaged in fraudulent activities have included the occupational license numbers of established registration services on documents submitted to the department. The Registration Transaction Authorization Agreement, Reg 600 (NEW 3/26/03) form, not only protects the consumer, but the registration service as well. It will capture the authorizing signature of the owner of the registration service for submission of the work to the department. It also captures the signature of the employee submitting the applications. Additionally, this form requires the signature of the customer requesting the work.*

**8. The new Registration Transaction Authorization Agreement (Reg 600) form is unnecessary; onerous; redundant; and will create a significant economic impact on small businesses because of the major increase in additional paperwork. It reveals invoice information to DMV field office employees that is considered a trade secret by the industry.** (Mary McCain; Bart Haythorne; Shahrzad Razi-Bishop; Diann McLachlan; Janet Miller; Sue Nickel; Kevin Donovan; Kevin Kellerman; Louise Price; Deelin McKee; Jeff Perrin; Tom Lazzara; Carole Rafferty; Keri Crowder; Judy Trainer; Stanley McDonald; Sue Puentes; Kris Anderson-Moore)

***Department's Response:***

*The Registration Transaction Authorization Agreement, Reg 600 (9/2002) form has been developed for the registration services to meet the statutory record-keeping requirements. This form satisfies all record-keeping requirements in statute. The form has been designed to assist/ensure requirements are met by removing the guesswork regarding what is required. Additionally, this form captures the signature of the client and ensures the registration service owner's authority has been granted for the submission of the form on behalf of the service. The department does not view this form as requiring a duplication of efforts or work completed. Any duplication would be a choice made by the registration service since all legal requirements are fulfilled in this document.*

*Additionally, the Registration Transaction Authorization Agreement, Reg 600 (9/2002) form was amended as part of the 15-day Notice of Modification of Proposed Regulations that was distributed February 25, 2003. The amendments to the form should have relieved most of the concerns presented by the commenters.*

**9. The department should create a "task force" of governmental staff, along with registration service representatives to create realistic regulations.** (Kevin Kellerman; Bart Haythorne; Kevin Donovan; Deelin McKee; Jeff Perrin; Bill Lowrey; Keri Crowder; Diann McLachlan; Stanley McDonald; Kris Anderson-Moore)

***Department's Response:***

*Prior to publication of the 15-day notice of modification of proposed amendment of regulations, the department met with various members of the registration services industry. Some of the amendments included in that notice are a direct result of those meetings.*

**10. Most services are complying with the current regulations. If the department were to enforce the regulations that are already in place by conducting audits, there wouldn't be a problem with fraud.** (Carol Rafferty; Bart Haythorne; Diann McLachlan; Kevin Donovan; Sue Nickel; Kris Anderson-Moore; Karen Ross-Gibbins)

**Department's Response:**

*In the most recent post-licensing audit, less than 3% of the registration service licensees were found to have no violations. Approximately 16% were found to be non-compliant with record-keeping requirements. Forty-five percent of those audited received warnings regarding record-keeping infractions such as failure to identify employees who performed transactions, enter the registration service number on the top of each document, document refunds with the appropriate transaction, or provide dates or fees on materials for the public.*

**11. A lot of the work processed by registration services is conducted via telephone, and other means. Additionally, the vehicle owners' friends and family members often bring the documents to the registration service. How are registration services supposed to meet the "true full name" requirements mentioned in the regulation? The department does not check identification when it processes registration transactions, except for duplicate license plate transactions. (Nancy Whitaker, Diann McLachlan; Sue Nickel; Kevin Donovan)**

**Department's Response:**

*The registration service is required to verify the identification of the person who is submitting the documentation. While the registration service client does not have to be the registered owner, the service is responsible to identify their clients and to keep records.*

*The department's expectation is that the registration service makes a good faith effort to identify the client for whom they are working.*

**12. Section 330.54, the refusal to issue suspension, revocation, or cancellation of a license, that's in the Vehicle Code under 11405. I don't understand why you're wanting to delete that. (Kerri L. Stouffer, Jeffrey R. Puentes, Sue Puentes, Katherine S. Brandenburg)**

**Department's Response:**

*The proposed repeal of Section 330.54 has been withdrawn from this rulemaking.*

**William D Lowrey, Auto Advisory Services, letter dated July 17, 2002**

Within the Initial Statement of Reasons there is a statement that a registration service does not include any of the following: "...An employee of one or more dealers or dismantlers, or a combination thereof, who performs registration services for vehicles acquired by, consigned to, or sold by the employing dealers or dismantlers."

Representatives of our company have spoken with authoritative persons within the Department. The consensus of opinion seems to be that registration service businesses that perform services solely for vehicle dealers are not required to have a license. We would like this confirmed.

Our company, a general partnership, performs registration services on behalf of licensed new vehicle dealerships. We also register a large number of fleet transactions on behalf of rental car companies. We often subcontract the job performance itself to persons who are expert and knowledgeable at registering vehicles for dealerships. Each

of these individuals currently has their own registration service license. The independent registration service sets its hours of job performance with our clients.

The registration service performs all the registration work at the vehicle dealership. A dealer employee is responsible for mailing the DMV bundles and registration paperwork directly to DMV. The dealership itself is responsible for submitting the fees and the bundle listing to the Department.

This type of service is noticeably different from other vehicle registration services, which are known in the industry as “runner” services. A “runner” service usually picks up registration documents and takes them from the dealer premises, completes the paperwork at their own office and then independently submits the work to a DMV office on behalf of the dealership.

Unfortunately, much of the confusion may come from the way the proposed regulations are drafted. There is never any clear distinction between registration services that perform services exclusively for dealers versus registration services that perform work on behalf of the general public. Clearly the bulk of regulations and the law are intended to regulate the conduct of those individuals that process registration transactions on behalf of the general public. It is obvious that vehicle dealers, having sold vehicles, are already completely responsible to their customer and are therefore accountable to the department for the proper registration of the vehicle. Thus it would be appropriate to conclude that services working exclusively for dealers should be exempt from the law and regulations.

***Department's Response:***

*The service described is required to be licensed based on the following: Vehicle Code 11400 states, “No person shall act as a registration service, engage in the business of soliciting or receiving any application for the registration, renewal of registration, or transfer of registration or ownership of any vehicle of a type subject to registration under this code or transmit or present any of those documents to the department, if any compensation is issued by the department pursuant to this chapter ...”*

*If the registration service is not submitting the documents to the department and the documents are being submitted by the dealership, the registration service would only need to comply with current record-keeping requirements, with the exception of keeping a REG 600A on file in the business records. If the registration service delivers the documents to the department in person, all other requirements would need to be met.*

Comments regarding Reg 600A: It appears the Department recognizes that a registration service, performing service for vehicle dealers, does not need a “Form 600” for each transaction; but rather they are able to utilize a single authorization agreement. This is certainly clear from the initial statement of reasons. However, it is not clear once you read the actual regulations.

Section 330.32 (c) currently proposes all transactions to be submitted on the new form 600 unless exempted as described in subsection (h). When one reads the proposed subsection (h) it appears the department is only talking about registration services

submitting applications for substitute or duplicate license plates. Subdivision (h) does not provide a clear exemption for vehicle dealers from the 600-form requirement.

***Department's Response:***

*The REG 600A will meet the requirements of the REG 600 for registration services who perform service for vehicle dealers. An amendment has been made to the regulation to clarify the subparagraph references.*

What is discernable, however, is that the department is attempting to set up exceptions from the 600 form by using subdivisions (h), (i), (j), and (k). Therefore, we propose the current subdivision (c) be revised by adding subdivisions (i), (j), and (k) to subdivision (h).

We also believe subdivision (j) is uncertain and vague – as currently written. We propose that subdivision (j) should read as follows:

“A registration service who enters into a contractual agreement with a dealer or dismantler, using the registration transaction authorization agreement, dealer/dismantler form REG 600A (new 9/2001), is excluded from the requirement identified in subsection (c) above ...”

***Department's Response:***

*The department has amended the regulation to correspond with this recommendation.*

**Diann Abright McLachlan, Tony's Vehicle Registration Service, letter dated July 17, 2002**

The Initial Statement of Reasons states that the department cannot identify those transactions that are submitted by a registration service once the transaction is complete. I disagree. Adding another form to a registration transaction will not help the department to identify applications submitted and completed by a registration service. As we all know, applications submitted to the department include many forms and many times forms from applications are lost in processing at the department.

It is my understanding all papers submitted to Sacramento are microfilmed and kept as a permanent record. If the department suspects fraudulent activity, the department can review the microfilm and there would be no doubt if a registration service submitted and completed said transaction, as the occupational license number would be stamped on the original top document.

***Department's Response:***

*While this suggestion appears to provide an identity of the registration service, there have been instances where the registration service number was placed on the documentation fraudulently. Additionally, this practice often does not identify the individual who processed the document or the individual who requested the transaction.*



## Section 330.48. Maintenance and Inspection of Business Records.

(e) Records shall be maintained or retrievable by the unique identifying number on each department approved transaction authorization agreement form.

Since the department is already set up to retrieve information by license number and/or VIN, it seems to me the department would continue using the same process. As this process is already working, it would be less costly to reprogram DMV's computer and keep the DMV procedures now in effect.

### ***Department's Response:***

*This record-keeping requirement refers to the registration service, not the department.*

Section 330.42 Information for clients. It is already a requirement of DMV to provide client documentation which includes date fees paid, refund due customer, if any, etc. Samples of her company's forms were attached.

### ***Department's Response:***

*This is not a new requirement. As Ms. McLachlan stated, the requirement to provide client documentation containing information pertinent to the transaction is current. However, the amendment specifies the information to be provided.*

Section 330.32 (d): Requested Amendment – A registration service shall be assigned to more than one DMV – as one DMV may be unable to handle the volume of workload submitted by registration services to DMV. Under existing DMV regulations, work must be submitted to the department in a timely manner to avoid penalties to accrue.

### ***Department's Response:***

*Prior to adding the requirement to the regulations, the department surveyed the industry. This survey requested current offices used by each registration service. This information was supplied to the Field Operations Division of the department. Every effort will be made to provide effective customer service to the registration services. The department is sensitive to the individual business needs of registration services.*

Comments on form Reg 600:

- Section (3) Redundant – The occupational license number of a registration service is already a requirement of the DMV. Per DMV Memo VR-31, registration services' occupational license number is required on the face of the top document of each application submitted to DMV. It is my understanding the top document, such as title, Reg 343, Reg 156, etc., are microfilmed and kept by the department as a permanent record.
- Section (4) Redundant – Identity of vehicle is on all forms submitted to the department, such as title, statement of facts, bills of sale, etc.
- Section (5) Redundant – Application being submitted to DMV is sufficient as to type of application:

- The Reg 600 duplicates form Reg 227 Application for: has a box to be checked as to type of transaction;
- The Reg 600 duplicates form Reg 156 Application for plates, sticker: clearly states type of transaction;
- The Reg 600 duplicates form Reg 262 Transfer and reassignment form: clearly states type of transaction.
- Items (6), (7), (8) are redundant – Full name, address and drivers license number of client is already a requirement on all the department's forms.
- Items (9) and (13) are redundant – Per requirement of 330.32. A registration service employee shall present their state issued driver license and/or identification card when requested by a department employee.

***Department's Response:***

*Each of the bulleted items is a current record-keeping requirement. Although each specified form identifies the type of transaction, the Reg 600 would provide a record of the type of transaction performed along with the identities of all persons involved in the transaction. The REG 600 will provide a record of all transactions on one form. Any redundancy in record keeping would be the choice of the registration service.*

**Betty Singh, letter dated July 19, 2002**

Registration services should submit, in writing, immediately upon termination of an employee, to both OL and to each field office that the service uses (to the Registration Supervisor), notification and a request that that person's name be immediately removed from a master list. With such a mechanism in place, if a former employee should attempt to bring work through and their name is NOT on the list, they would be refused and the transaction wouldn't happen.

***Department's Response:***

*Although the language is not as specific as Ms. Singh's, this requirement has been added to the regulation. Upon any change in employees, whether it is an addition, deletion, or change in signature authority, registration services will now be required to submit a complete new list of employees authorized to present work to the department on behalf of the registration service. This requirement would eliminate the possibility of departmental staff error in updating the list. Since registration services will be required to submit updated lists, a new listing must be submitted on the Registration Service Application for Employee Changes, OL 630 (New 3/26/03) and the Field Office Registration Service Employee Listing Form, OL 607A (New 3/26/03). See Section 330.20.*

**Amy Krista, CMV Service, letter dated July 19, 2002**

Section 330.44 (10) (a) requires the VIN to be included on the listing sheet. Currently, the last three digits of VIN are used on bundle reconciliation. Is this acceptable for transmittal? This is now a common practice.

***Department's Response:***

*The Vehicle Code requires the full vehicle identification number be used.*

Section 330.46 (a) requires the registration service to send a written request to the client for any documents, compensation or departmental fees necessary to complete the transaction. May the registration services have the option of sending their written request via fax or e-mail?

***Department's Response:***

*Yes, the written request for completion can be sent via fax or e-mail.*

**Sue Nickel, Road Ready Registration, letter dated July 22, 2002**

Section 330.42 (b) (13) and (b) (14). Section 6 of form Reg 600 is not clear as to whether the owner of the registration service must sign each transaction form or if an authorized employee may sign.

***Department's Response:***

*The owner of the registration service may give signature authority to employees in their business. Sections 330.20 (b) (11) and 330.20 (c) (5) permit the owner to designate if an employee is authorized to sign a transaction form for the owner or management. This authority must be submitted to the department prior to the employee signing documents for the owner.*

Regarding Section 330.02, Information Required on a Registration Service Application for Original License: It is our belief that the DMV should require new licensees to state whether he or she is currently an employee of another registration service or currently listed as an employee on the license of a registration service. We believe that the department should follow the same guidelines as with dealers and not allow an individual to achieve a license while being listed on a current registration service license. DMV should also ask for a letter from the service previously employing that individual and the validity of that individual. We pay to be bonded. What does DMV provide for the security of our clients?

The above comments are issues we have had happen here at Road Ready Registration and because of the lack of rules pertaining to ex-employees being able to just get a license easily, even though they are still employed or just released as an employee. It has been very costly.

***Department's Response:***

*Although these comments do not pertain to the current regulation, they have been forwarded to the appropriate area in the department for review.*

**Kevin Donovan, American Licensing Services, letter dated March 8, 2003**

Substitute Plates. The proposal to prohibit services from processing applications for substitute plates is seemingly unnecessary. Current revised policy allows us to process an application for substitute plates. DMV issues us a temporary permit and forwards the plates directly to the registered owner. This procedure seems to solve the problem. Why prohibit this type of service which is of great value to our clients?

**Department's Response:**

*The policy described has not changed. However, the requirement regarding the issuance of substitute and duplicate plates was set by statute. The department does not have the authority to change it. Please see the response to Number 6 on page 4 of this document.*

Audits – Regular audits of our services. As an example, the motor carrier industry must be audited every two years by the CHP to assure continuing compliance with existing regulations. A similar inspection process for registration services could be done. Again, we would be willing to assist with any reasonable costs associated with the review.

**Department's Response:**

*The department believes the industry is adequately policed. Resources have been reallocated to provide more audits. However, we are unable, per statute, to pass costs on to the registration services.*

Registration Service Number in DMV Database – Enter our registration service number and an employee number into your database at the time of application processing. This could be an effective tool to assist you in tracking and reviewing our applications.

**Department's Response:**

*The department has begun the necessary steps to determine the feasibility of this suggestion. However, this would require extensive reprogramming funds, which are unavailable at this time.*

Many regulations are currently in place for VIN verifiers, holders of commercial accounts, and registration services. However, there has been limited enforcement of these regulations. With a more significant ongoing regulatory presence by your investigations department or inspectors and enforcement of existing regulations, fraud would be dramatically reduced or eliminated without the addition of more regulation. Perhaps the lack of enforcement has contributed to today's environment and allowed certain individuals to take advantage and ignore current regulations.

**Department's Response:**

*This comment does not directly address the issues in this regulatory proposal, however it has been forwarded to the appropriate division in the department for review.*

Your field offices are an excellent source to determine who is processing fraudulent work. They know who is processing the work as they see us on a daily basis. Field office needs the authority to initiate audits, reviews, and investigations as warranted. This is an authority that seems to be lacking today. In fact, we were originally told that this was one of the main reasons for developing the Industry Service Center concept. This ISC can easily monitor our work for fraud.

**Department's Response:**

*This recommendation is already in place. Field Operations and Investigations Divisions work closely together pertaining to events of fraud and unlicensed/dishonest activity.*

**Comments Received at the July 23, 2002, Los Angeles Hearing Not Previously Addressed in this Document:**

Mr. Donovan requested that the department postpone the implementation of these proposed regulations for at least 90 days pending a more thorough review of their impact upon registration services and to provide the department with more viable alternatives with which we can all work.

***Department's Response:***

*It has been more than 90 days since the notice of this proposed modification of regulations was published.*

**Louise Price, California Auto Licensing**

"I wanted to bring up about our being responsible for our employees' actions. We have to have a level of responsibility for our employees. I mean, I can't consider myself being responsible if my employee goes out and steals a vehicle. You know, it's not me that stole the vehicle so there has to be some level of responsibility, but -- 'cause what they do on their own time should not -- I should not be responsible for 'cause it has no connection with my business."

***Department's Response:***

*Owners are only liable for the actions of their employees directly related to their business.*

License plates. Ms. Price gave a detailed example of an experience pertaining to substitute plates for a dealer. It was a transfer with a report of sale. The gentleman was in the military. He had an out-of-state driver's license. The situation was eventually solved satisfactorily.

***Department's Response:***

*This situation has been referred to the appropriate departmental staff for review.*

**Deein McKee, McKee's Auto Registration, Lemon Grove, California.**

"I have questions regarding the 45-day turnaround. What if we notify the client that there are more things that must be done, and they call us and say, 'Well, you know, I can't get it done in this amount of time, but I'd like you to keep my paperwork in your files until I can get it done'? Do we make a notation? Do they have to sign a disclosure? What do we do at that point? I realize if they don't contact us we have to register mail their documentation back. To that effect, I have a good 2,000 files that are still sitting in my office that -- what would I do with them at this point? I'm of course not going to pay to register mail all of them back in. I'm sure that would probably be grand fathered in, but that's another concern of mine."

***Department's Response:***

*The 45-day turnaround is the minimum. If, within 60 days of the Request for Completion of Documents, the transaction cannot be completed, the documents should be returned to the client.*

Ms. Price brought up the fact that the department's field offices conduct a weekly meeting each Wednesday morning. She suggested that the manager could inform

everyone that so-and-so no longer works for this registration service. They would know that they do not belong there.

***Department's Response:***

*Amendments to Section 330.20 require the registration service to notify the department of employee deletions. Following the steps provided should alleviate this concern.*

She asked if the department could print all of our information on the top, including the registration service name, phone number, and occupational license number. If not, could the registration services be allowed to have printers do this? This would save a lot of time because there are a lot of forms, a lot of clients, and will take time that we do not have.

***Department's Response:***

*The costs for the department to complete this information for each registration service would be exorbitant. However, there is nothing in the regulation that would preclude having the information completed by a printer.*

Why not have a disclosure signed by the employee which states "I am responsible for the documents that I am submitting to the department and that my boss is very aware of"?

***Department's Response:***

*The owner/licensee is responsible for the actions of their service. However, the department has no authority to dictate any agreements between a registration service and their employees.*

**Jeff Perrin, Perrin's Registration**

Mr. Perrin emphasized that people are upset and concerned about the Reg 600 form. His belief was that many of those present would not have been as upset if the opportunity to comment had been offered prior to the development of the proposed modifications.

Additionally, he believes there is a lot of ambiguity between the registration service, DMV, what peace officers say, and what is required. Sometimes one technician will not put through submitted paperwork but another will. It should not be a subjective point of view. It should be very clean cut.

***Department's Response:***

*These comments do not pertain to the proposed regulatory action, however they have been forwarded to the appropriate department personnel for review.*

Mr. Perrin requested 90-day postponement of any implementation. He additionally commented that the Reg 600 form was not included in the notice package.

***Department's Response:***

*Again, the department has met with representatives from the industry prior to making the revisions published in the 15-day notice. The form, though not included in the notice package, was available upon request from the department.*

**Cindy Perrin, Perrin's Registration**

Ms. Perrin pointed out that while something needs to be done to prevent fraud, if someone's going to commit fraud, they're going to do it whether there's 100 forms, 50 forms, or 30 forms. They're going to find a way around every single form that you put in effect.

***Department's Response:***

*This is a valid point, however it is necessary that the department take some steps to prevent fraudulent activities.*

She mentioned that there are a lot of department technicians who do not understand what's going on now. The forms that they do have, they don't put into effect. Not only is education needed for the registration services, but it is also needed for the DMV technicians.

***Department's Response:***

*This information has been forwarded to the appropriate departmental personnel for review.*

DMV should take some responsibility in the prevention of fraud. Ms. Perrin stated that because she uses the same office for all transactions, the DMV personnel know her and her employees.

***Department's Response:***

*The requirement in the regulation that registration services submit documents to the office to which they are assigned permits the personnel in each field office with the opportunity to get to know the registration service employees they serve.*

**Sue Nickel, Roadway Registration**

Ms. Nickel identified her clientele as leasing and financial institutions. Some of the problems her clients have dealt with regard substitute plates. When the documents are processed at some offices, the clients have not received their plates up to three weeks after submission of the documentation and fees. Other field offices process the transactions and mail the license plates out the next day. Examples were presented as concerns about the consistency within the department.

***Department's Response:***

*Comments regarding consistency throughout the department have been forwarded to the appropriate departmental personnel for review.*

Section (i) of 330.32, Exemption from Submission of the Transaction Authorization Agreement should be extended to not only automobile dealers and commercial dealers, but it should also be extended to financial institutions, lien holders and transactions, and fleets unavailable to PFR.

**Department's Response:**

*The regulation has been amended to reflect this suggestion.*

Ms. Nickel stated that there is a problem with the gossip that goes on at the dealer centers. DMV employees don't take an oath that whatever they see, they're not supposed to talk about to another service.

**Department's Response:**

*The Reg 600 form has been amended. Additionally, these comments have been forwarded to the appropriate departmental personnel for review.*

Ms. Nickel expressed her concerns regarding the issuance of new registration service licenses to current employees of existing registration services, thus allowing the employee to steal clients. She believes that the DMV should require new licensees to state whether he or she is currently an employee of another registration service or currently listed as an employee on the license of the registration service when they apply for a new license. The department should follow the same guidelines as they do with dealers and not allow an individual to receive a license while being listed on a current registration service license. Additionally, Ms. Nickel believes the DMV should also ask for a letter from the service of the previously employed as to the individual and the validity of that individual.

**Department's Response:**

*Ms. Nickel's concerns have been forwarded to the appropriate departmental staff for review.*

**Tom Lazzara, Lazzara Enterprises**

Mr. Lazzara specializes in lien sales so the amount of registrations that he processes is minimal. The majority of his clients are garages and body shops. One of the problems he identified is the seven-day requirement and the difficulties his business faces trying to meet that deadline.

**Department's Response:**

*The seven-day requirement is not new.*

He resents the fact that the DMV says since 1991 when the registration services became licensed the amount of fraud has increased. There was also another thing that occurred in 1991 and that was a planned non-operation. With the planned non-operation came 500 percent penalties on registrations. He believes that a check of department records or the results of a survey would find that since the inception of the 500 percent penalty a lot of fraudulent activity has gone on, including an increase in the amount of dishonored checks and an increase in the amount of stolen tags.

During the last four years and approximately 10 percent of all cars that he has processed liens on have bogus tags. He has brought plates to the department, waiving penalties, because penalties can be waived if it has a current sticker. The supervisors there have told him only 1 percent of the vehicles out there that have bogus tags. It's way more than that.



Mr. Lazzara believes that this is a direct result of the amount of penalties that people are required to pay. If the fees are excessive, people will not register their vehicles. In the last six months, he has reported seven vehicles as stolen vehicles and helped the police department recover them. Another registration service has reported four. He has run across transactions where it was obvious that fraud was committed. When reported to the department or with the law enforcement agencies it falls on deaf ears. They don't want to be bothered with it. Registration services need a source at the DMV they can go to so they can report fraudulent activity when it is found.

***Department's Response:***

*Although these comments do not pertain to the current regulations, the department will take these concerns under advisement. Fraudulent activity should be reported to the local licensing inspectors.*

**Kate Younglove, Younglove Enterprises**

Ms. Younglove stated that her registration service has not been permitted to use power of attorney. They are permitted to sign one line with the power of attorney even though the power of attorney states "any document to complete this transaction."

***Department's Response:***

*This comment has been forwarded to the appropriate departmental personnel. The only form that cannot be signed via authority of a power of attorney is a Statement of Fact.*

Additional comments were made regarding customer service at the industry service centers.

***Department's Response:***

*Although these comments do not pertain to this regulation, they have been forwarded to the appropriate departmental personnel for review.*

Those registration services that are committing fraud will go back to DMV, get a new ID, change their names, and start all over again. Those attending the hearings are concerned and should be allowed to help find a solution to the problems.

***Department's Response:***

*The department met with industry representatives during the formulation of the 15-day notice of modifications. Additionally, Ms. Younglove's concerns regarding corrupt services has been forwarded to the appropriate departmental staff for review.*

**Renee Johnson, Johnson/Parker Registration Service**

Ms. Johnson commented on the lack of consistency amongst the field office technicians. Because the technicians are rotated, often the registration service is telling the DMV technician how to process the transactions.

***Department's Response:***

*Ms. Johnson's concerns regarding field office consistency and untrained technicians have been forwarded to the appropriate departmental personnel for review.*

**Carole Rafferty, Auto Express Title Service.**

Ms. Rafferty would like to see the possibility of registration services being able to issue permits. Ms. Rafferty is a second-line business partner. If her customers need a smog certificate, she has no way of giving them a permit even though she has stickers and everything else.

***Department's Response:***

*The department has developed separate regulations for registration services that are also business partners. Because Ms. Rafferty identifies herself as a second-line partner, it is our belief that her concerns would be addressed by those regulations.*

Ms. Rafferty usually goes into the DMV to process her work. During times when she is unavailable, she may have runner deliver the documents who knows absolutely nothing about the work. She can not have them sign that they're doing things possibly under penalty of perjury. They aren't doing the work. All they are doing is walking in, they're handing the paperwork to the agent, and they're writing out the check. They aren't processing work.

***Department's Response:***

*If the registration service wishes the runner to have the transactions processed at the counter, the runners' names must be on the employee listing submitted to the department. However, if the runner is simply delivering the documents to the department without waiting for processing, no additional documentation would be necessary.*

One issue is license plates being issued out of the office or not being issued out of the office. Also, several times she has gotten applications back with one of her employee's driver license record attached to the transaction. Since the registration service number is on the application, she does not understand why her driver license record must be reviewed.

***Department's Response:***

*These concerns have been forwarded to appropriate departmental personnel for review.*

**Ally Youngblood, A.J's Vehicle Registration Service.**

DMV employees know who is perpetuating the fraud. It should be required that they let investigations and occupational licensing know, saying for example, "Look, I know this is a fraudulent signature."

Ms. Youngblood told of an experience when a DMV employee identified a fraudulent signature representing Ms. Youngblood's registration service. Although the document was turned in as fraudulent, the person that signed her signature did not get into any trouble. She believes the department needs to use its available resources.

***Department's Response:***

*Thank you for your comments. The comment regarding the disposition of the fraudulent document has been forwarded to the appropriate departmental personnel for review.*

**Sue (Last Name Unknown), VIP Registration Services.**

Ms. Sue made several statements regarding the service at the Industry Service Centers. She added that the requirement to complete the Reg 600 is going to have a serious impact on her business.

She has spent a lot of time working with the Orange County investigators, the FBI, and insurance investigators after discovering different types of frauds in the business she purchased.

She additionally expressed dismay at the attitudes of local department investigators when presented with evidence of fraud. The exception has been the Orange County office.

***Department's Response:***

*Unfortunately these comments do not pertain to the current regulation. However, they have been forwarded to the appropriate departmental personnel for review.*

**Comments Received at the Sacramento Hearing on July 25, 2002 Not Previously Addressed in this Document:**

**Stanley McDonald, Law Offices of Stanley L. McDonald**

Mr. McDonald emphasized that no fiscal impact study was completed.

***Department's Response:***

*In the department's Notice regarding fiscal impact, it was stated that no study was relied upon to make that claim.*

**Jeffrey Puentes, Sacramento Registration Service**

Mr. Puentes believes the only way the department is going to have any success in tackling these type of issues is through automation.

Automating occupational licensing at the field office level would allow the field office to keep track of who's a currently licensed verifier, who's a current dealer, who's a current registration service. Because the field offices are not connected to occupational licensing, they really have no idea who's got a current license, who doesn't, who's authorized to do the work, et cetera.

***Department's Response:***

*The department has begun reviewing the necessary steps to upgrade its computer systems. This would require an extensive reprogramming expense as well as considerable time to be accomplished. Unfortunately, the department does not have the resources currently available to meet this objective.*

Mr. Puentes also requested a copy of the economic impact study, if one has been done.

***Department's Response:***

*As stated in the initial statement of reasons, there is no economic impact study.*

**Sue Puentes, Vehicle Registration Specialists**

This change in Title 13 is going to have a major impact on small businesses. The time, and the paperwork is not going to eliminate fraud. Submitting the fees to the department is becoming extremely confusing. If the department's software is modified DMV could track people, and track registration services. Include a field in this software to put the registration service in and keep track of them that way. The department could then pull up the transaction and identify the service that submitted it. Right now, we're required to write our registration service number on top of all documents.

***Department's Response:***

*See response to Jeff Puentes above.*

**Warren Hoemann, California Trucking Association (CTA)**

The CTA believes there's a significant fiscal impact. Money has been expended on a new form. Training will be required for both the state and industry to comply. CTA believes there are reasonable alternatives.

***Department's Response:***

*As stated in the Notice of Proposed Regulatory Action, no fiscal impact study was relied upon for this proposal. All reasonable alternatives have been considered.*

There is currently a requirement for registration service offices that are open to the public to post their fees. Let's enforce that. Let's be sure that every transaction results in an invoice delineating not only what fees were paid, but where they went and for what. DMV should also create a pamphlet on consumer rights. CTA agrees that registration services should not be required to submit their fee schedules.

***Department's Response:***

*The creation of a consumer rights pamphlet is outside the scope of these regulations. However, the suggestion has been forwarded to the appropriate departmental personnel. The issues discussed regarding receipts and fee postings are all reviewed during audits.*

The rulemaking needs a very clear definition of employee. There are part-time employees and there are courier services that are not employees but which are vital to the functioning of registration services.

***Department's Response:***

*The requirement to identify those employees that would be submitting registration documentation to the department is an effort by the department to reduce the likelihood of individuals coming into the department alleging to be an employee of a particular service, while either being a former employee or someone who discovered the registration service's occupational license number with the intent to commit fraud.*

*As mentioned previously, the 10 day waiting period has been deleted. However, if a registration service owner wished to have an individual process their documents at the window in a department field office, the individual's name must appear on the employee listing the department maintains.*

The rulemaking will not achieve the goal that it intends. The rulemaking potentially makes having an employee working for you, having signatures from far-flung corporate officers, too time consuming and too costly. When it's difficult to have an employee, you contract it out. We think the rulemaking, as it is written, will create the very situation DMV, the professional registration community and the motor carriers don't want to have happen, and it will be more difficult to track fraud.

***Department's Response:***

*The department appreciates Mr. Hoemann's comments.*

**Kerrie Stouffer, All Vehicle Registration Services**

Ms. Souffer believes the employee changes, the ten-day waiting period; submitting of fees and documents to the department; submitting of the information for clients, is redundant. We have the information already written numerous times. The automation of a field in the system where every vehicle that is transferred by a registration service has a permanent mark on its record with the registration service license number is an alternative. It just does not seem that DMV really explored what the financial impact is going to be

***Department's Response:***

*The 10-day waiting period has been removed. The other comments are beyond the scope of this rulemaking.*

Keeping those forms in a numerical order is not cost effective. It's time consuming; there's no reason for it.

***Department's Response:***

*The regulation states that the documents must be maintained or retrievable in numerical order. If, using your current system, you are able to retrieve a file by the number on the Reg 600, there is no need to change.*

**Kris Anderson-Moore, American Truck Licensing Service, Registration Service No. 1650**

A reference is made that no reasonable alternative was considered by the department. Upon receipt of notice, Ms. Anderson-Moore had a discussion with the manager of the DMV's Occupational Licenses Division that revealed that the DMV's first choice had been to issue photo identification cards to all registration service employees. Such an alternative would seem a plausible solution. Why doesn't the department consider charging for the ID cards? The fact that the notice contains a blatant and incorrect statement should be reason to withdraw this proposal for change.

***Department's Response:***

*The Notice stated that the department must consider reasonable alternatives. The department does not have the authority to require the issuance of an identification card for registration service employees at the expense of the registration services.*

Absent from the notice package was the form 600. The proposed form duplicates information contained in the Application for Registration, form 343, is to be required for each transaction and is one of the major points of contention in this change. Adding yet one more form to the process is not going to solve the problem.

***Department's Response:***

*The Government Code does not require that copies of the forms either proposed or required in a proposed regulation be sent with notice of proposed regulatory action. While the REG 600 form was not included in the packages mailed to interested parties, copies were provided in a timely manner upon request.*

Title 13 contains substantial requirements to control the industry. There has been no effort of enforcement of existing regulations. Ms. Anderson-Moore has been audited once. Items found by auditors as needing correction were disputed by other field office managers.

***Department's Response:***

*This comment has been forwarded to the appropriate departmental staff for review.*

**Kevin Donovan, Reg-A-Car, Inc., dba American Licensing Services.**

The department sent out a notice of proposed regulation to all 825 services. However, the notice of hearing was not sent to all interested parties; only to those requesting a hearing. It doesn't show any effort to work with the industry or to resolve the issues of fraud.

***Department's Response:***

*The department provided copies of the Notice of Public Hearing to those individuals who showed an interest in the proposed regulation. That is, they each contacted the department with their concerns. Additionally, the Notice of Public Hearing was posted on the department's web site.*

*The Administrative Procedures Act (Government Code Section 11346.8) only requires notice to those who file a request.*

**Judy Trainer, Trainer Bookkeeping, Los Angeles**

This is going to slow down the field offices. Trying to determine whether or not this form is filled out correctly will cause a significant impact on the number of employees required to handle transactions that a registration service could process.

***Department's Response:***

*The department's headquarters staff is working with field offices to ensure a smooth transition to acceptance of the new forms.*

Ms. Trainer thinks commercial equipment needs to be separated from automobiles. Registration services are experienced to know what documents need to be presented and get them the permits requested, and get them on the road in the least amount of department time. She also believes that either a fiscal impact statement or an economic study needs to be done.

***Department's Response:***

*The department's intent is to prevent fraudulent transactions. It is not the intent of the department to reduce the services registration services offer. Any prohibitions included in the regulations are those that are currently specified in statute.*

**Comments received on the Notice of Modification that have not been previously addressed:**

**Stephanie Williams, California Trucking Association**

The practices of an agency approving each and every employee that works for a registration service is overreaching and discriminating.

***Department's Response:***

*Approval by an inspector simply means that the inspector will sign the form acknowledging the submission of changes before it is submitted to the field office. The acknowledgement provides notice to the field office manager that the proper documents were submitted to the inspector.*

**Alma Concepcion, Otay Mesa Auto Registration**

Can I enter into a contractual agreement with my clients using the form REG 600A and not need to submit the REG 600 on each individual transaction?

***Department's Response:***

*It will still be necessary to submit the REG 600 on each transaction, however if you are in possession of a power of attorney for your client, you may sign for them and attach a copy of the*

*power of attorney to your documents. You must maintain the original of the power of attorney in your office file.*

**Katherine S. Brandenburg, Flanigan Law Firm,**

It appears that the proposed regulations are creating a new office within DMV called the Occupational Licensing Inspections Office. We are concerned that DMV is creating additional bureaucracy at a time when our state is in dire need of being fiscally conservative.

***Department's Response:***

*A new office has not been created. This language was corrected to indicate the appropriate office for submission of the application.*

The proposed regulations state that an approved application for employee changes (Form OL 630) must be accompanied by form 607A and submitted to the Office Manager at the assigned field office prior to a new employee submitting registration transaction to DMV. The information provided on forms OL 630 and 607A are virtually identical and, therefore, repetitious.

***Department's Response:***

*There is a duplication of reporting employee changes. One form, the OL 607A, will be sent by the inspector to the department headquarters where the changes will be filed. This listing only includes added or deleted employees. The OL 630 will go to the field office to be filed. For the sake of accuracy an entire new listing is required for the field office. This allows the field office to destroy the previous listing and replace it with a new one. Otherwise, field offices would have to make additions and deletions to the current listing which may result in inaccuracy. This provides an assurance to the registration service owner that the employee listing for their firm will be correct. Submission of a listing directly to the assigned office is necessary to allow a registration service owner to expeditiously report changes to the department. It would also prevent the necessity of a 10 day waiting period prior to allowing a new employee to submit work to the department. It also allows a registration service to immediately report to the field office that an employee is no longer employed by them.*

The proposed regulations will deny the use of couriers (i.e., local couriers, US Postal Service, Federal Express, UPS, etc.) by registration services. There are many instances when a registration service will hire a courier service to deliver the transactions in order to avoid late fee charges. Since the courier is not processing the work over the counter, DMV should accept all transaction from a professional courier, such as those specified.

***Department's Response:***

*Delivery of work by courier will not be denied. The regulation was modified to clarify this point. A department office will not process transactions submitted by someone who is not specified. It*



*does not mean the department will not accept delivery or pick-up by a courier or US mail employee.*

The proposed subsection would require the name of the registration employee who prepared the documents be printed on Form REG 600. Again, this is redundant and unnecessary. DMV currently has a list of all of the employees hired by each registration service and all transactions processed through a registration service are required to have the assigned occupational license number on the top of the document. The occupational license number assigned to each registration service is more than sufficient. Once again, this is an issue of necessity.

***Department's Response:***

*Recording the name of the employee who prepared the documents in the application is required to be kept in the records of the registration service by statute. The REG 600 was designed to meet all record-keeping requirements.*

**4) Determination of Alternatives**

No reasonable alternative considered by the department, or that has otherwise been identified and brought to the attention of the department, would be more effective in carrying out the purpose for which these regulations are proposed or would be as effective and less burdensome to affected private persons than the proposed regulations. During the rulemaking process no alternative that would lessen the adverse economic impact on small business was submitted.

**5) Incorporation by Reference**

The department finds that it would be cumbersome, unduly expensive, or otherwise impractical to publish the 10 documents incorporated by reference in this regulatory action in the California Code of Regulations because some are in triplicate, some are lengthy, and these documents are readily available from the department. The 10 documents were made available upon request directly from the department.